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ENABLING COUNTRIES TO RESPOND TO THE OPPORTUNITIES ARISING
FROM THE URUGUAY ROUND AGREEMENTS SO AS TO DERIVE MAXIMUM
AVAILABLE BENEFIT BY: ANALYSING THE IMPACT OF THE URUGUAY
ROUND AGREEMENTS ON DEVELOPMENT AND ENHANCING CAPACITIES FOR
PARTICIPATION IN THE MULTILATERAL TRADING SYSTEM

Report by the UNCTAD secretariat

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Introduction

1. In accordance with the agreed annotations to the provisional agenda for the first session of the Commission on Trade in Goods and Services, and Commodities, the deliberations of the Commission under agenda item 3 "would permit an examination of the current trading opportunities and challenges facing developing countries and the impact of the Uruguay Round Agreements on their development. Trading opportunities of developing countries in goods and services and their integration into the world economy will also be influenced to an important extent by the ability of these countries to participate more fully in the multilateral trading system. This issue will focus on enhancing national capacities in terms of human resources and administrative infrastructures, to enable countries to adjust effectively to meet their obligations and to take advantage of their rights under the multilateral trading system, as well as with the assistance provided to countries in the process of accession to WTO. The secretariat report to this session should include possible ways of strengthening capacities for participating in the multilateral trading system."

2. This report, which draws heavily on an earlier joint UNCTAD/WTO study¹, has been prepared by the UNCTAD secretariat to assist the Commission in its consideration of this item.

3. Chapter I reviews post-Uruguay Round trading conditions facing developing countries. Emphasis is placed on improved market access opportunities for developing countries in goods and services arising from the Uruguay Round, as well as the challenges they are likely to face in terms of factors that will play an important role in determining their ability to take advantage of those opportunities. This latter aspect is of particular importance to the least developed countries, where domestic supply and institutional capacities are already low. This chapter also discusses the kind of study that needs to be undertaken in order to understand fully the impact of the Uruguay Round Agreements on development.

4. Developing countries' trading opportunities in goods and services and their enhanced integration into the world economy will also be influenced to an important extent by their ability to participate more fully in the multilateral trading system. Accordingly, chapter II reviews the gaps in national capacities in terms of human resources and administrative infrastructures to enable developing countries to adjust effectively to meet their obligations and to take advantage of their rights under the multilateral trading system, and discusses possible ways of strengthening capacities for participating in the multilateral trading system.

I. CURRENT TRADING OPPORTUNITIES AND CHALLENGES FACING DEVELOPING COUNTRIES IN GOODS AND SERVICES AND THE IMPACT OF THE URUGUAY ROUND ON THEIR DEVELOPMENT

A. Trading opportunities in goods and services arising from the Uruguay Round

5. New export opportunities will arise for all countries, including developing countries, as a result of the Uruguay Round. In addition to reductions in tariff and other barriers, export opportunities have also been enhanced by the increased security of market access stemming from the new level of bindings of new and pre-existing levels of market access, as detailed in countries' schedules of concession on goods and on services. In a similar way, the new rules and procedures in such areas as technical barriers, sanitary and phytosanitary regulations, and subsidies and countervailing duties have enhanced export opportunities by making future market access more secure, transparent and predictable.

6. It should be noted, however, that these enhanced opportunities will not occur at once. The trade liberalization agreed to in the Uruguay Round is to

be implemented in stages - equal reductions over five years for industrial tariffs, beginning in January 1995; a phase-out over 10 years of the quotas imposed under the Multifibre Arrangement (MFA); tariffication of various non-tariff measures affecting agricultural trade and the reduction of these and other agricultural tariffs over six years; and improved market access for a range of service activities that were both agreed to in the Uruguay Round and are currently under negotiation, with various deadlines in the first half of 1996.

(i) Opportunities in merchandise trade

(a) Overview of tariff reductions

7. On average, the new tariff commitments made by developed countries represent a 40 per cent reduction in the average tariff on imports of industrial products, although the actual reduction is very small, as the original base was itself low: from 6.3 per cent to 3.8 per cent.² Also the proportion of imports subject to bound MFN zero duties has been increased as well, from 20 to 44 per cent. Tariff reductions for industrial products, significant as they are, do not cover all dutiable imports in the markets of the major developed countries. Moreover, virtually no reduction was offered on the 22 per cent of dutiable imports which were deemed "sensitive". These include products of particular export interest to developing countries, such as items in the leather, rubber, footwear and travel goods category. In addition, a relatively high degree of tariff escalation will persist in most product groups, particularly those of export interest to developing countries. These include tropical and natural-resource-based products.

8. More specific data are shown in table 1, which sets out trade-weighted average tariff reductions for 11 product categories. For only three categories as regards imports from all sources and as regards imports from developing economies does the absolute reduction exceed three percentage points, which suggests that the scope for major increase in export opportunities may not be very great on this account. However, in order to obtain a more precise picture for individual developing economies, it is important to examine the situation in much greater detail. This is done in annex table I', which sets out reductions in bound tariffs in products of export interest to individual developing economies.

(b) Tariff escalation and tariff peaks

9. Reducing tariff escalation in developed country markets was a major objective of developing countries in the Uruguay Round, since such escalation may inhibit the development of processing industries in developing countries.

10. Indicators of the change in tariff escalation as a result of the Uruguay Round, provided in table 2, reveal that developed country tariffs, averaged over all industrial products, were subject to escalation before the Uruguay Round tariff cuts and in most (but not all) instances will remain so after the cuts.³ However, there have been greater absolute reductions in average tariffs at more advanced stages of production than at earlier stages of production, both for all industrial products and for the two subgroups shown in table 2. Thus, the overall degree of escalation has been reduced. For natural-resource-based products, for example, the average tariff applied to semi-manufactures has been reduced to the same level as raw materials (2 per cent).

* The statistical annexes to this document appear in TD/B/COM.1/2/Add.1.

Table 1

Developed country reductions in bound tariff
rates by major industrial product group
(Billion US dollars and percentages)

Product category	Import value ^a		Tariff averages weighted by:							
	All sources	Developing economies	Imports from all sources				Imports from developing economies			
			Pre-UR	Post-UR	Abs. diff.	% Red.	Pre-UR	Post-UR	Abs. diff.	% Red.
Industrial products	736.9	169.7	6.3	3.8	2.5	40	6.8	4.3	2.5	37
Fish and fish products	18.5	10.6	6.1	4.5	1.6	26	6.6	4.8	1.8	27
Wood, pulp, paper and furniture	40.6	11.5	3.5	1.1	2.4	69	4.6	1.7	2.9	63
Textiles and clothing	66.4	33.2	15.5	12.1	3.4	22	14.6	11.3	2.7	23
Leather, rubber, footwear	31.7	12.2	8.9	7.3	1.6	18	8.1	6.6	1.5	19
Metals	69.4	24.4	3.7	1.4	2.3	62	2.7	0.9	1.8	67
Chemicals & photographic supplies	61.0	8.2	6.7	3.7	3.0	45	7.2	3.8	3.4	47
Transport equipment	96.3	7.6	7.5	5.8	1.7	23	3.8	3.1	0.7	18
Non-electric machinery	118.1	9.8	4.8	1.9	2.9	60	4.7	1.6	3.1	66
Electric machinery	86.0	19.2	6.6	3.5	3.1	47	6.3	3.3	3.0	48
Mineral products & precious stones	73.0	22.2	2.3	1.1	1.2	52	2.6	0.8	1.8	69
Manufactured articles n.e.s.	76.1	10.9	5.5	2.4	3.1	56	6.5	3.1	3.4	52

Source: WTO

^aTrade data are for the Uruguay Round "base period".

Table 2
Changes in tariff escalation on industrial products imported by developed
countries from developing economies, based on bound tariff rates
(Billions of US dollars and percentages)

	Imports ^a	Share of each stage	Tariff		
			Pre- U.R.	Post U.R.	Absolu te reduct ion
All industrial products					
Raw materials	36.7	22	2.1	0.8	1.3
Semi-manufactures	36.5	21	5.4	2.8	2.6
Finished products	96.5	57	9.1	6.2	2.9
All tropical industrial products					
Raw materials	5.1	35	0.1	0.0	0.1
Semi-manufactures	4.3	30	6.3	3.4	2.9
Finished products	4.9	34	6.6	2.4	4.2
Natural resource-based products					
Raw materials	14.6	44	3.1	2.0	1.1
Semi-manufactures	13.3	40	3.5	2.0	1.5
Finished products	5.5	17	7.9	5.9	2.0

Source: TD/INF.33.

^aTrade data are for the Uruguay Round "base period", as defined in the annex to document TD/INF.33.

11. A more detailed look at tariff escalation for imports from all developing countries by Canada, the European Union, Japan, and the United States indicates the following: in Canada, while a relatively high degree of tariff escalation remains for some products (i.e. hides, skins and leather products, rubber, jute and tobacco), for other products (i.e. paper, copper, nickel, aluminium, zinc and lead) there will be little or no escalation following the Uruguay Round tariff cuts. In the European Union, significant tariff escalation remains for hides, skins and leather, wood products, jute fabrics, metal products, and tobacco, but the absolute level of escalation for tobacco products has been greatly reduced, and for paper and tin there will be no tariff escalation following the Uruguay Round tariff cuts. On the basis of applied MFN rates, tariff escalation for exports from ACP countries to the European Union shows a similar pattern to tariff escalation faced by all developing countries. In Japan, with the exception of rubber and paper, developing economies will continue to face tariff escalation. The extent of tariff escalation for United States imports from developing countries will, however, be eliminated or greatly reduced for several products as a result of the Uruguay Round.⁴

12. At the same time, the departure from the formula/harmonization approach of the Tokyo Round has enabled Governments to concentrate tariff reductions or eliminations on products where domestic opposition to trade liberalization is less strong. This has led to a persistence of "peak" tariffs (over 15 per cent) on sensitive products, and a rise in relative disparities in tariffs across product groups. This is particularly evident in the tariff treatment of textiles and clothing (United States and Japan), leather, rubber, footwear and travel goods (European Union and Japan), and fish and fish products (European Union).

Bindings

13. One important result of the Uruguay Round, from a developing country perspective, has been the reduction in developed country imports of industrial products whose tariffs are not bound, the share of which has fallen from 6 to 1 per cent (table 3). Perhaps more importantly, there has also been a marked increase in the coverage of tariff bindings in developing country markets (the most rapidly growing export markets), from 13 per cent to 61 per cent of imports. These changes promise enhanced security for the market access available to developing country exporters.

Table 3
Tariff bindings on industrial products
(Percentages)

	Tariff lines		Imports	
	Pre-	Post-	Pre-	Post-
Total	43	83	68	87
Developed countries	78	99	94	99
Developing economies	21	73	13	61
Transition economies	73	98	74	96

Source: WTO.

(c) Preferential tariff treatment

14. While MFN tariff reductions will improve market access globally, their implications for preference-receiving countries, in particular the least-developed among them, are less straightforward. Concerns have been expressed that the trade prospects for these countries would be adversely affected by the consequent reduction of preferential access enjoyed by eligible countries under the GSP and other preferential arrangements such as the Lomé Convention with regard to imports by the European Union or the Caribbean Basin Economic Recovery Act (CBERA) with regard to those of the United States.

15. An assessment of trading opportunities taking into account preferential tariff treatment needs to allow for the fact that preferential schemes such as the GSP are subject to change, in particular with regard to product coverage and beneficiary countries. Extension of product coverage under the GSP, especially in the agricultural sector, needs to be pursued further. Some countries such as Norway and Canada have moved ahead with important extensions in the coverage of agricultural products. The scheme of the United States, which was recently renewed after a period of suspension⁴, excludes many "import-sensitive" products such as most textiles, clothing, watches, certain electronic and steel articles, or footwear and leather apparel. Canada also excludes most textile and many footwear products.

16. The degree of preferential access continues to vary between different GSP schemes. The United States grants duty-free entry for all products eligible for GSP treatment, but coverage is subject to competitive-need limitations. Under the GSP scheme of Japan, beneficiary countries are granted various tariff reductions or duty-free treatment, and a greater number of industrial products remain subject to ceilings. A number of tariff reductions on agricultural products, including all tropical products and fishery products, have been introduced by Japan to maintain the preferential margin following

the MFN tariff cuts of the Uruguay Round. Similarly, Canada is phasing in new lower GSP rates to offset erosion resulting from Uruguay Round tariff cuts.

17. The EU has introduced a fundamentally revised GSP scheme following the conclusion of the Uruguay Round. Quantitative limitations in the form of fixed duty-free amounts and tariff ceilings for duty-free imports have been abolished. Instead, a system of tariff modulation which determines the depth of tariff cuts according to the "sensitivity" of imported products has been put in place. Tariff cuts range from 15 per cent of the MFN rates for "very sensitive" products (including a wide range of fruit and vegetable products, as well as textiles, clothing and ferrous alloys) to full exemption for "non-sensitive" products.

18. Some GSP schemes, including the new scheme of the EU, apply graduation mechanisms under which a beneficiary country loses GSP benefits for products in which it is regarded as internationally competitive. Schemes also apply full country graduation involving the complete withdrawal of GSP benefits for a country as a whole when it reaches a certain level of development.

19. In the case of a number of schemes such as those of the EU and Japan, special provisions for LDCs allow for total exemption from customs duties for all GSP-eligible products. Japan and the United States also exempt LDCs from ceiling limitations. Canada offers duty-free access for LDCs, but excludes agricultural products subject to tariffication and textiles and clothing from the special treatment.

(d) Textiles and clothing

20. Estimates of the impact of the Uruguay Round liberalization support the view that the revenues of developing economies as a group from exports of textiles and clothing products are likely to rise - in value as well as volume - when the MFA is phased out, despite a decline in the "quota rents" that accrue to constrained countries under the MFA. However, the trade liberalization reform measures in this sector are likely to have an impact upon LDCs in varying ways over time.

21. The phasing-out of MFA and non-MFA restrictions, and in particular the provision for increases in growth rates of MFA quotas and the improvement in the application of the flexibility provisions, are likely to expand, in the medium term, the export opportunities of those LDCs that are WTO members. However, the outcome for particular LDCs would depend upon whether they were able to build up a competitive export capacity during the ten-year transition period. The situation for other LDCs that are currently not WTO members is unclear, as the provisions of the Agreement on Textiles and Clothing would not apply to non-WTO members. In fact, the existing market shares of non-WTO members could come under threat as the quotas allocated to WTO exporting member countries grow.

22. More generally, the considerable latitude which countries have in the implementation of their commitments could affect the ability of developing countries to take full advantage of trading opportunities in the textile and clothing sector. The "end-loading" feature of the Agreement on Textiles and Clothing, in conjunction with the "integration" choices of Governments, could postpone the realization of new market opportunities until the end of the ten-year implementation period. Additionally, the possibility of recourse to the transitional safeguard provisions, which permit new quantitative restrictions to be imposed on a discriminatory basis for up to three years, including against countries and products which were not restrained under the MFA, could in fact reduce export opportunities in the short run.

23. In addition, the long-term prospects for LDCs' trade in this sector could also be adversely affected by MFN tariff reductions of the developed countries in conjunction with the phasing-out of the MFA and other non-MFA restrictions which would result in an erosion of their current preferential access to the markets of the major developed importing countries. In other words, their

current guaranteed access to the markets of the latter countries under special arrangements (such as the Lomé Convention in the EU market and preferential programmes in the United States market) could be challenged as a result of the return of this sector to GATT, and their existing margins of preference could be eroded due to the reduction of tariffs by the major developed importing countries.

(e) Agricultural products

24. The Uruguay Round Agreement on Agriculture provides for disciplines in several areas: market access, export subsidies, export restrictions, and internal support.⁶ A wide range of barriers facing international trade in agricultural products have been transformed into transparent tariffs (although sometimes high) and in the binding and reduction of almost all of these and other agricultural tariffs.

Market access

25. A large proportion (85 per cent) of tariff lines were not subject to tariffication in the Uruguay Round. This includes a wide range of relatively high-value-added agricultural products. The reduction in tariffs on those items is likely to create new export opportunities for those developing countries with an export potential in the products concerned. For the 15 per cent of tariff lines which are subject to tariffication (covering mainly bulk commodities, cereals, sugar, and related products), current market access commitments have been generally maintained through the establishment of tariff quotas. In addition, for products where the current market access was low or non-existent because of prohibitive non-tariff barriers (NTBs) or outright import bans, minimum market access opportunities were established. These minimum access tariff quotas are to be expanded from 3 per cent to 5 per cent of base period domestic consumption over the implementation period.

26. The difference between within-quota tariffs and above-quota tariffs is sometimes quite large. For example, in Canada the within-quota tariff on poultry meat will be reduced over the period from 10 to 4.4 per cent. This means that exporters may be able to increase their margins accordingly, depending on how quota rents are allocated. However, if exporters were to expand sales beyond the quota, they would initially face tariffs of 234 per cent, to be reduced to 199 per cent in the final year of the six-year implementation period. Tariff rates at such levels tend to be prohibitive, and in such cases the real opportunities created by the Agreement on Agriculture reside mainly in the lowering of within-quota tariffs. This contrasts with the products covered by the 85 per cent of tariff lines not subject to tariffication. The arrangements which importing countries adopt to allocate quotas among countries will thus have a significant bearing on trading opportunities actually created. It should be noted, however, that the tariffication process has resulted in very high levels of tariffs on affected products, the protective effect of which is supplemented by the special safeguard clause, which permits additional duties on imports of those items subject to tariffication if imports of a given product exceed a "trigger price" or "trigger volume".

27. Developed countries accounted for about 72.5 per cent of world imports of agricultural products in 1994. Excluding intra-EU trade, they accounted for 60 per cent of agricultural imports. The across-the-board reductions in agricultural tariffs by developed countries are summarized in annex table II for two (overlapping) product groups. Among the 12 agricultural product categories in the first group, reductions to be undertaken by the developed economies as a group range from a 26 per cent simple average cut for "dairy products" to a 48 per cent for "cut flowers, plants and vegetable materials" and the miscellaneous group "other agricultural products". The overall average reduction of 37 per cent meets, collectively, the goal set by participants. However, given the bifurcated nature of tariff cuts, these reductions may overstate the actual liberalization. The reduction on dutiable tropical products (lower part of annex Table II) as a whole is 43 per cent, ranging from

a low of 37 per cent for "tropical nuts and fruits" to a high of 52 per cent for "spices, flowers and plants".⁷

Export subsidies

28. Another important element of the Agreement on Agriculture of the agreed reductions in export subsidies. These reductions should stimulate domestic production which formerly could not compete against subsidized exports. The reductions are of particular significance for heavily subsidized products on world food markets such as wheat, beef, coarse grains, dairy products and sugar, as detailed in annex table III. Total outlays on subsidies will decline by the end of the implementation period by 36 per cent, from \$22.5 billion to \$14.5 billion, of which one-half will be accounted for by the European Union. The prohibition of export subsidies on all products not subject to reduction commitments will also play an important role in improving competition on world markets.

29. Reduction commitments have been established for broad product groups rather than at the individual product level. There is therefore an element of uncertainty as to how the overall commitment will affect specific products. Furthermore, since there is no restriction on how the remaining allowable subsidies can be used across markets, it will again be a matter of policy to decide in which markets subsidized exports will actually be reduced, or whether a sequential targeting of markets would not occur. Concerning domestic support, as AMS (aggregate measurement of support) reduction commitments are sector-wide, countries have considerable flexibility with respect to product-specific action.

Domestic support

30. All forms of domestic support for agricultural producers, with the exception of the policies designated as exempt,⁸ are subject to reduction commitments. For each participant with non-exempt support, the total aggregate measurement of support (AMS) is to be reduced in equal instalments and bound by the end of the transition period at a level 20 per cent below the base-period (1986-88) level for developed countries and 13 per cent below for developing economies.

31. The reductions in and ceilings on domestic support should lead to a more rational allocation of resources and to support being provided in a manner which is less trade-distortionary. In the long run, this will benefit countries with a true comparative advantage (as opposed to policy advantages) in agriculture, as well as those countries which reform their agricultural support policies. However, the supply of subsidized agriculture products on the world market available to net-food importers will be reduced.

32. Given the complexity of agricultural policies and the many interacting elements of the Agreement on Agriculture, it becomes virtually impossible to predict the net welfare effects from examining various elements and markets in isolation. On balance, studies⁹ suggest that food-exporting developing countries will receive marginally better prices in the world market, stimulating output and exports further. At the same time, there will be incentives for the agriculture sector in net food-importing countries to expand output (if the increased world market prices are transmitted domestically), although perhaps not enough to turn importers into exporters. Consequently, these studies generally confirm the view that net food-importing developing countries could face somewhat higher food bills than previously, with the impact varying across countries. It was this possibility that motivated Ministers at Marrakesh to include the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries.

33. In one particular recent study, the FAO sketched out the prospective developments of world food and agriculture over the period to 2010, when world agriculture will face major challenges related to demographic developments and

changing food habits. According to this assessment, developing countries will continue, as a group, to be dependent on imports from developed countries, as production is not projected to keep up with demand. However, presumably there is scope for enhancing production, provided that developing country economic policies are reformed, and given appropriate investments in infrastructure and human capital. Overall, the outlook for agricultural production and trade in developing countries depends, to a great extent, on the appropriateness of internal policies and incentives for agricultural production.

(ii) Commercial services

34. The General Agreement on Trade in Services (GATS) covers not only cross-border transactions between residents of different countries, but also the provision of services through commercial presence and the presence of natural persons in the foreign country. There is no general obligation to offer national treatment and market access to foreign suppliers; these obligations are confined to the sectors and subsectors specifically included in the individual schedule of commitments of each Member, subject to any limitations with respect to each mode of supply. However, even where commitments have not gone beyond guaranteeing the status quo, they are valuable because they are binding and cannot be modified or withdrawn without compensating trading partners. Exporters of services, as well as foreign investors, will therefore have a greater degree of security and predictability than they had previously.

35. Four aspects of the GATS are relevant to developing countries: first, the provisions in the Agreement providing for the increasing participation of developing countries; secondly, the specific commitments undertaken by Members which influence the external environment for the export of services from developing countries; thirdly, the commitments undertaken by developing countries themselves which promote the import of infrastructural and other services (including through foreign direct investment) and hence their capacity to export goods and services; and finally, future developments pertaining to progressive liberalization and multilateral rule-making, in both of which developing countries have a significant stake.

36. The promotion of development is an inherent objective of the Agreement and is not stated in terms of "special treatment". Through Article IV of the GATS, on "increasing participation of developing countries", the developing countries have obtained recognition of the basic asymmetry in the level of development of services in developed and developing countries and a commitment that the developed countries will take concrete measures aimed at strengthening the domestic services sectors of developing countries and providing effective market access for their exports. Article XIX of the GATS provides flexibility for individual developing countries to adjust policies to development requirements. It provides for their opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation and, when making access to their markets available to foreign services suppliers, attaching to it conditions aimed at achieving the objectives referred to in Article IV.

37. There is considerable variety in the extent to which different sectors or modes of supply have been made subject to specific commitments in the schedules. The mode of supply most frequently bound is commercial presence, reflecting the desire of countries to attract investment, encourage transfer of technology and create employment rather than have services supplied from abroad. The mode of supply of movement of natural persons is mainly bound through horizontal commitments, without sectoral specificity, with respect to movement of intracorporate transferees and persons involved in establishment which is linked to commercial presence and business visitors. A number of developed countries have bound access to speciality occupations and contract-related professionals. These commitments guarantee some new opportunities for a range of natural persons but still contain major limitations, e.g. economic needs tests.

38. Not many developing countries are in a position to benefit immediately, as exporters, from the commercial presence mode of supply, given the high cost of establishment in developed countries and the weaknesses of the developing countries' firms in terms of financial and human capital and access to distribution networks and information channels and technology. However, information technology is creating major new opportunities for long-distance labour-intensive exports from developing countries. Furthermore, few restrictions have been imposed on the consumption abroad of tourism and travel-related services, so the possibilities for expansion of developing countries' exports in this area have not been restricted. Nevertheless, many developing countries have some difficulty in identifying export interests in the services sector (other than in the movement of natural persons). A major effort would seem to be required to identify potential export opportunities for developing countries in preparation for the next round of service negotiations.

39. Of the 29 least developed countries which are Members of the WTO, only four have scheduled commitments in more than half of the 11 services sectors and only Gambia, Lesotho and Sierra Leone have made comprehensive commitments in most services sectors. In fact, nine have scheduled commitments in just one sector, i.e. tourism and travel-related services. While this is clearly an important sector for many countries, it would also seem important to attract foreign investment, technology and expertise into other crucial sectors - such as telecommunications, health, education, financial services or transport. There is need for wider recognition that the GATS is a potentially powerful means of encouraging foreign direct investment in critical "infrastructural" services industries.

40. Important challenges in future negotiations under the GATS relate to promoting developing countries' interests through both the process of progressive liberalization and completing the multilateral disciplines of the GATS framework. In the first area, of particular significance are: further liberalizing trade in services in sectors and modes of supply of interest to developing countries; the achievement of a truly MFN-based agreement on financial services; taking advantage of the opportunities under Article IV to ensure effective access of developing countries to technology; distribution channels and information networks, markets and market information. Completing the framework of GATS rules would include: concluding the negotiations on subsidies, safeguards and government procurement; and developing disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade.

Conclusion

41. To summarize, the potential benefits for developing countries arising from the results of the Uruguay Round and the establishment of the WTO derive from: (a) trade liberalization, in the form of MFN tariff reductions; the conversion of non-tariff barriers on agricultural products into bound tariff rates; the reduction of export subsidies and trade-distorting domestic support for agriculture; the phasing-out of the MFA; and the elimination of VETs and other grey-area measures; (b) strengthened disciplines with respect to the application of non-tariff measures, notably contingency protection measures such as safeguards, anti-dumping, and countervailing measures; (c) enhanced transparency and stability in their own trade regimes, which increases efficiency, helps lock in economic reforms, and enhances their ability to attract foreign direct investment; (d) specific provisions for differential and more favourable treatment in terms of market access thresholds for contingency actions and more extended time limits and flexibility in implementing the commitments; (e) clear rules for trade in agriculture and services, and for intellectual property rights, which prevent unilateral actions; and (f) a more efficient and equitable dispute settlement mechanism.

B. Improving the domestic supply response

(i) Export performance and investment

42. The crucial importance of physical infrastructure deserves focused attention in developing countries. Inadequate and inefficient telecommunications, storage and road, rail and/or air transport facilities have limited the scope of the supply-side response for developing countries, especially the least developed countries. But infrastructure represents long-gestation, non-tradeable and lumpy investments. Solving this problem requires searching for ways of incorporating needed infrastructure developments into development and diversification projects, and encouraging the private sector to invest in building and operating these specific infrastructure facilities.

43. Investment in technology will also be crucial to developing the supply-side response. Much of the technology required to produce resource-based goods is highly site-specific and therefore many developing countries, and especially the LDCs, have been hindered by their inadequate attention to demand-driven and result-oriented research and development activities and to building their respective skill bases through both formal education and practical learning. This is especially important because, to expand their production of goods for international markets, developing countries must reorient their production structures or processes towards more efficient utilization of inputs. They must also be able to meet higher quality standards and tighter delivery schedules involving the introduction and integration into production structures of new technologies and skills.

(ii) Improving the export supply response

44. In most of the least developed and low-income countries, primary products at low levels of processing continue to account for the bulk of exports. At the same time, the supply base for non-traditional products remains narrow and frequently of inferior quality. However, opportunities exist to diversify into higher stages of processing. While it would be unrealistic to expect immediate changes in this situation, the following measures have proven to be effective, and may complement more macro-oriented initiatives:

- Entrepreneurial training for international business development;
- Increasing domestic value added in exports of specific commodity products;
- Improving export quality and packaging;
- International purchasing and supply management.

(iii) Market diversification

45. The market access conditions negotiated under the Uruguay Round have opened new opportunities for market diversification, both for exports and for supply of inputs from the most competitive sources. This applies in particular to non-traditional target markets. South-South, East-East and South-East trade will benefit in particular from greater predictability and transparency and reduced trade barriers. As a result, post-Uruguay Round conditions are relatively favourable to expanded intra-regional trade, specially in Asia.

(iv) Strengthening trade-supporting services

46. *Business information.* The lack of business information and market intelligence continues to be an important factor of exclusion from international trade, in particular for small and medium-sized enterprises in developing countries. Improved resources for dissemination of business information can be a central element in the effort to preclude the marginalization of developing country enterprises from international trade.

47. *Trade finance.* Despite export opportunities, many small and medium-sized export enterprises are critically constrained by the lack of pre- and post-shipment credit facilities at home. To address these problems, their trade

finance needs have to be assessed and supplementary financing schemes will need to be designed to close the gaps in the systems currently in place. Technical cooperation activities can enhance this process and provide training during initial operation of schemes.

48. *Non-commercial trade-supporting services.* These include trade promotion organizations, commercial attachés, chambers of commerce and professional organizations, which have the potential to play a key role in supporting trade development. Experience shows, however, that they can only perform their functions when a number of conditions are met, including credibility with the business sector, service orientation and high levels of expertise. Technical cooperation can go a long way in assisting these institutions to enhance their performance.

(v) Trade efficiency measures

49. Trade efficiency is a priority area for action by Governments, the private sectors and institutions like UNCTAD. Technical assistance programmes in the following areas deserve immediate attention: training and awareness in the main areas of trade facilitation and trade efficiency; integration of trade efficiency measures in customs and in financial, transportation and telecommunications sectors; and promotion of international norms and standards for collecting and transmitting trade-related information and messages.

C. Impact of the Uruguay Round Agreements on development: need for country-specific studies

50. The economic impact of the Uruguay Round will be spread out over a number of years because the Uruguay Round Agreements provide for a phased implementation of commitments and because economies will take time to adjust to policy changes. Thus, the impact of the Round can be distinguished according to long-term and transitional (short- and medium-term) effects. Long-term effects are those which will arise when all commitments have been implemented and economic adjustments have taken place.

51. Transitional effects arise for a number of reasons. First, varying time-lags in the expansion and contraction of industries due to the policy changes induced by the Agreements imply that the productive factors released from contracting industries may remain unemployed for a period before they become reabsorbed in expanding industries. Second, while the reductions in MFN tariffs will increase market opportunities in general, they will also put a competitive squeeze on the exports of those countries whose access was hitherto facilitated by preferential tariffs. These countries are likely to experience a transitional loss of export revenue. Other short-term effects are expected as a result of the reform process in agriculture and of the reforms concerning intellectual property rights. The reform process in agriculture could lead to higher prices for basic food products and could therefore involve transitional costs in terms of higher import bills for low-income food-deficit developing countries. Further, the extended and stronger patent protection may result in higher prices for high-technology and pharmaceutical products.

52. The long-term impact will depend on a variety of factors, including the capacity of each country to respond to the new trading opportunities and to overcome constraints. This in turn may be influenced, to a great extent in some cases, by complementary policies adopted at both the national and the international levels designed to smooth the process of economic adjustment by addressing the rigidities which slow it down. International support could render more effective the efforts by developing countries to rationalize resource allocation and develop supply capabilities as well as to increase the elasticity of supply in critical areas by encouraging investments in those areas. Thus, both the longer-term and transitional impacts are likely to vary from one country to another, depending on the specificities of the country's trade situation, economic possibilities and policy responses. This highlights

the need for a country-specific approach to analysing the impact of the Uruguay Round on development.

53. One avenue for such analysis would be a series of country case studies on developing countries at various stages of development which would examine empirically the opportunities and challenges created by the post-Uruguay Round trading environment for developing countries.

54. The case studies would need to be comprehensive in terms of coverage of Uruguay Round Agreements of particular relevance to a country's trade and economic situation (both demand and supply side implications). The studies would analyze how trading opportunities have changed for the particular country as a result of the Uruguay Round agreements and what it is doing to respond to the opportunities, as well as what challenges have arisen, including the difficulties or constraints faced in coping with them. In this context, the studies would also need to analyse how each country studied could best utilize the various transitional periods available to it to adjust its policies and strategies in order to be able to comply, at the end of the relevant implementation periods, with its new multilateral obligations. The principal challenges, difficulties and constraints arising from the Uruguay Round Agreements for developing countries, particularly LDCs, would thus be clearly identified. Policy recommendations could then be made for actions at both the national and the international levels.

55. The Commission on Trade in Goods and Services, and Commodities may wish to launch these studies rapidly. An Expert Meeting could be convened to advise the Commission on the methodological approach for these studies, including the selection of a representative sample of developing countries, at different stages of development, to be covered.

II. ENHANCING CAPACITIES FOR PARTICIPATION IN THE MULTILATERAL TRADING SYSTEM

56. While developing countries can expect to derive benefits from the strengthened and expanded multilateral rules as countries bring their trade policies into line with their new obligations, in many instances translating these multilateral trade rights into concrete trade advantages requires action by Governments with the active support of the business community. Many developing countries and countries in transition have found themselves poorly equipped in terms of institutions and human and financial resources dedicated to this objective.¹⁵

57. It is noteworthy that major developed trading countries have recently announced "action programmes" to ensure full exercise of their trading rights in the WTO, as well as at regional and bilateral levels, with a view to maximizing their access to markets and influencing the future negotiating agenda. To realize the full benefits of WTO membership and other trade agreements, developing countries which have not already done so need to devise comparable strategies and to mobilize their resources so as to integrate themselves more fully into the international trading system.

A. The challenges of integration into the multilateral trading system

58. Integration into the multilateral trading system is a function inter alia of a country's ability to: (a) identify and exploit trading opportunities; (b) effectively defend its trading rights; (c) fully conform to its trading obligations and execute its development policies and strategies within the framework of these obligations; and (d) define and pursue its trade and development interests in trade negotiations. In the case of developing countries and countries in transition, these efforts require the support of the international community.

(i) Identifying and exploiting the trading opportunities: trade promotion

59. Developing country Governments need to support their exporters in identifying the trading opportunities arising in the post-Uruguay Round environment. Primary attention should be given to sectors subject to significant MFN tariff reductions, minimum and current access tariff quotas on agricultural products, and textile and clothing product categories to be integrated into GATT. In this context, improved institutional mechanisms for providing information and support to the private sector are required, including better use of information technology, the setting up of data bases on trade flow and trade barriers, the strengthening of information centres and trade promotion offices, and streamlining of administrative requirements.

(ii) Full utilization of the multilateral rules as regards export markets

60. This involves both effective defence of acquired rights and the formulation and implementation of development strategies within the framework of the multilateral obligations.

(a) Exercise of acquired multilateral rights aimed at maximizing trade opportunities

61. The areas where trade rights can be exercised include:

- (a) The application of the Anti-Dumping Agreement to limit contingent protection against developing country exports;
- (b) The application of the Subsidies and Countervailing Measures Agreement to limit contingent protection against developing country exports;
- (c) The implementation of the Agreement on Safeguards, particularly the phase-out of VRS and the use of the quota modulation provision of Article 5:2;
- (d) The integration of textile and clothing product categories into GATT 1994 and the use of the transitional safeguard mechanism;
- (e) The allocation of agricultural tariff quotas, both "minimum" and "current" access;
- (f) The application of technical standards and sanitary/phytosanitary regulations, particularly those related to environmental protection;
- (g) Effective implementation of Article IV of GATS.

62. Most problems of market access, notably the application of "contingent protection" mechanisms, have to be dealt with - at least initially - within the context of the importing countries' legislation. Defending against contingent protection actions requires the preparation of technical and legal argumentation and strict compliance with procedures within specific and usually short time limits. Carrying the matter to WTO bodies and eventually to the dispute settlement mechanism requires a further refinement of such technical and legal argumentation.

(b) Formulation and implementation of development strategies within the framework of multilateral trade obligations

63. As a result of their membership in the WTO, the multilateral obligations of developing countries as a whole have increased in important ways. This has been the result of the "single undertaking approach", under which disciplines of the multilateral trade agreements (MTAs) apply to all member countries; the tariff bindings, covering all agricultural and a large number of industrial products; commitments on trade in services (which differ significantly among countries); and the acceptance of intellectual property protection norms as embodied in the TRIPS Agreement. To this must be added, for example, the

abolition of quantitative restrictions and licensing systems entailed by the disinvocation of Article XVIII:B by a number of developing countries.

64. However, most multilateral agreements provide developing countries with longer time periods to implement the obligations of the MTAs, while least developed countries are usually accorded even more extended periods. In addition, in some instances developing and least developed countries have lower levels of obligations. For example, as regards non-agricultural export subsidies, all LDCs and countries with a per capita GDP of less than \$1,000 are exempt from the prohibition so long as they remain in these respective categories.

65. The longer periods for implementation permit developing countries to retain more policy autonomy for an additional period, which may - in certain circumstances - provide them with additional options for enhancing their trade competitiveness. Developing countries must draw up their trade and economic policies in full cognizance of their multilateral rights and obligations, which would not seem to preclude their emulating the basic elements of earlier strategies, although in the context of more open markets (both for imports and their own exports).¹¹ Least developed countries, in particular, will have considerable freedom of action, at least for 10 years under most of the MTAs. Each country enjoying differentiated and more favourable treatment in the form of exemptions and longer phase-out periods must decide whether the measures concerned are useful tools for promoting its trade and development. If so, their use should be defended; if not, such measures could be phased out even more rapidly than foreseen in the Agreements.

66. In some areas, the provisions of the Agreements can lend themselves to different interpretations. This applies to:

- Balance of payments restrictions;
- Intellectual property rights;
- Coverage of the TRIMs Agreement;
- Challenges to subsidy regimes, including through countervailing duties against "actionable subsidies";
- Application of anti-dumping and countervailing duty actions by developing countries.

67. One major difficulty facing developing countries in implementing multilateral obligations is the sheer quantity of notification requirements. In some cases, failure to notify can affect a member's rights under the MTAs. For example, for WTO members that accepted the WTO Agreement from the outset, TRIMs that were not notified by April 1995 are not eligible for the five-year phase-out period available to developing countries. A prerequisite for meeting these requirements is obviously a clear allocation of responsibilities within Governments and wide understanding of the obligations of the MTAs.

68. The liberalization of quantitative restrictions and tariff bindings by developing countries has led to a growing emphasis on countervailing and anti-dumping duties and emergency safeguards as a means of providing protection to industries faced with an unprecedented degree of foreign competition. The use of these mechanisms implies the existence of independent institutions, which must take decisions on the basis of objective criteria, follow stringent procedures and provide for "due process" and transparency. Effective operation of such independent institutions will require, as discussed below, resources and expertise to carry out investigations in the exporting countries. In deciding on the priorities for using scarce human and institutional resources, developing countries should keep in mind that the WTO rules and obligations do not require member countries to have provisions for imposing anti-dumping or countervailing duties, nor is having such provisions a prerequisite for having recourse to WTO rules to defend against unfair treatment of a country's exports in foreign markets.

69. Even though implementing legislation may be drawn up in strict conformity with the obligations of the MTAs, its effective enforcement may involve

considerable costs, both in the training of officials and daily operation. The TRIPS and Customs Valuation Agreements¹² seem to impose the most onerous obligations in this respect, in particular on the least developed countries where customs staffs will have to be trained and supplemented. Other Agreements contain administrative obligations such as those on Technical Barriers to Trade, Sanitary and Phytosanitary Regulations and GATS, which require the establishment of enquiry points capable of providing a variety of information.

70. Thus both in developing countries and countries in transition, new institutions will have to be established and responsibilities more clearly allocated. A "trade policy community" comparable to that flourishing in many developed countries will need to evolve comprising not only government officials but also lawyers, trade consultants, academics, journalists, lobbyists, private sector representatives, consumer groups, etc., concentrating on trade issues.

(c) Countries in the process of accession to the WTO

71. An additional challenge is that of incorporating economies outside the WTO into the mainstream of international trade relations. There are presently over 30 applicants for accession to the WTO, and more are in the pipeline. The test of their successful integration into the WTO will be whether their inclusion leads to concrete and predictable trading opportunities for all. Each accession involves difficult negotiations on both multilateral systemic issues and bilateral market access in return for the benefits of WTO Membership. The accession process established under the WTO Agreement is fundamentally different from the process of accession established under the GATT. The WTO Agreement covers most sectors of trade activity. In order to tailor the terms of entry to the precise requirements of the applicant for accession, WTO member Governments are requesting substantial and precise information about these sectors, as well as on larger policies and programmes related to economic reform, e.g. industrial policy, national legislation and privatization which (although the latter is not the subject of specific WTO obligations) are seen as inevitably having implications for the capacity of acceding Governments to live up to WTO rules and obligations. Additionally, there is a widely held view amongst WTO Members that the applicant should be in a position to participate effectively in the system immediately upon accession. All these factors result in greater demands upon applicant Governments, many of which, particularly those in transition to a market economy, are still experimenting with various policy options and have yet to formulate precise trade policy objectives or to establish the necessary mechanisms to implement such policies in the direction of WTO consistency. Correspondingly, the need for high-quality and focused technical assistance to facilitate accessions is now much higher than before.

(iii) Future multilateral trade negotiations

72. The issues which will require analysis with a view to preparing for future multilateral negotiations include:

- (a) The built-in agenda of the Uruguay Round MTAs, which include areas where:
 - Specific provision has been made for new negotiations, notably progressive liberalization of trade in services under GATS and continuation of the reform process under the Agreement on Agriculture;
 - Provision has been made for recommendations on improved rules under the auspices of the Committee administering the Agreement (e.g. articles on safeguards, subsidies and government procurement in GATS, anti-circumvention measures on anti-dumping duties, rules of origin, etc.);

- The operation of Articles of the MTAs is to be reviewed, implying the possible renegotiation of these Agreements;
 - New issues have been indicated for future "consideration", such as investment and competition policy under the TRIMs Agreement.
- (b) New issues, not addressed in the MTAs, which have been raised by one or more Governments as possible candidates for future negotiation (e.g. trade and environment, trade and labour standards and measures to combat corruption), or which have been put forward in a different context than that provided in the MTAs (e.g. trade and investment);
- (c) Tariff negotiations, including the willingness of developed countries to reduce peak tariffs and remaining tariff escalation, and the willingness of many developing countries to further reduce tariffs and increase their tariff bindings;
- (d) Regional, subregional and bilateral negotiations.

73. In preparing for future negotiations, each developing country Government will need to: (a) identify trade measures which constitute significant barriers for its exports; (b) document actions which have been taken in the context of the implementation of the MTAs which have caused problems of security of access to markets or impeded the country's ability to effectively defend its rights; and (c) provide an assessment of national interests in the context of the proposals of trading partners, including proposals for the inclusion of new issues on the trade agenda. A key role would have to be played by an interministerial task force or some other coordination entity. Assistance from WTO/UNCTAD/UNDP and donor countries could be of use in assisting developing countries to compile and publish this information. National and regional technical assistance projects could assist developing countries in this respect, and seminars and workshops could assist in clarifying ideas and positions.

74. Identification of developing countries' interests is essential to ensure that these are reflected in the future trade agenda. With respect to much of the built-in agenda, the identification of developing countries' interests will derive from experience in the implementation of the Agreements, which will indicate where additional rules or corrective action may be required to deal with problems encountered by developing countries. This would require a systematic study and analysis of the operation of the MTAs.

75. In particular, active developing country participation in future negotiations on trade in services would require much more detailed analysis of the potential for service exports, taking account of all modes of supply, as well as identification of the regulatory barriers to such service export expansion. Individual Governments should carry out detailed studies at the national level, in close coordination with the private sector, to identify potentials and barriers, as well as studies to improve the understanding of developing countries' capacities in the export of services, using such modes as information networks. The MAST database of UNCTAD would seem of key importance in assisting in the identification of regulatory obstacles. A review of the operation of Article IV of GATS and related provisions could also assist in identifying future negotiating objectives. Mention should also be made of Article V of the GATS, which provides for regional liberalization of services trade in the context of free trade areas and customs unions.

76. The new issues require a somewhat different type of analysis. The protection of the environment, the promotion of investment flows and the elimination of anti-competitive practices, as well as the compliance with labour standards and the prevention of corrupt practices, are all worthy objectives. The implications for developing countries of proposals to link these objectives to trade rights and obligations require considerable further study. Familiarity with discussions and negotiations in other fora (e.g. the

Climate Change Convention, ILO) and the relevant experience of regional agreements would be required.

77. The consensus-building process in the Uruguay Round involved a trade-off between the determination to deal effectively with issues that had been unresolved for decades and the preoccupation to include "new issues" in the trading framework. Developing countries in particular were unfamiliar with the implications of the latter on their trade and development, and the learning process took place largely while the negotiations were under way. The difficulties which arose during the Uruguay Round could be avoided through a more intensive consensus-building process and a clear understanding of the impact of globalization on trade policy instruments. This could be furthered by the preparation of independent studies, the stimulation of academic research in these areas by institutions in developing countries, and the holding of seminars and workshops at the regional and interregional levels.

78. The various reviews of the results of the Uruguay Round conducted by UNCTAD, WTO, etc., have also highlighted those product categories where tariff protection remains high and where tariff escalation is also significant. More generally, future negotiations would have to take into account some of the unsatisfactory aspects of the Uruguay Round results. These include less-than-average tariff reductions achieved for many products of particular export interest to developing countries; persistent tariff peaks and tariff escalation in a number of the sectors of interest to developing countries; prohibitively high tariff rates in several of the agricultural products subject to tariffication and an initial lack of clarity in the tariff quota allocation mechanisms and procedures in the importing countries (the mechanisms had to be notified to the Agriculture Committee, where countries are entitled to request details on any aspect that is not clear). In addition, the experience with the implementation of the MTAs, particularly in the context of the reviews already foreseen, may indicate areas where future action would be necessary.

79. In some countries, many human and institutional resources are currently being devoted to trade initiatives at the regional and subregional level. In certain cases, these initiatives must be considered a matter of top priority, as they involve a major trading partner entering into commitments in areas not covered, or covered less intensively, by the WTO.¹³ In other cases,¹⁴ regional cooperation is taking the form of intensive technical work which builds upon the WTO MTAs but also envisages disciplines in areas not covered by the WTO within the framework of targets set out in high-level political statements. Preparation for multilateral activities, including the WTO's new Committee on Regional Trade Agreements, will require that developing countries achieve an effective policy synthesis of all those activities which present an institutional challenge.

80. In preparing for trade negotiations, advanced industrialized countries mobilize considerable resources to identify negotiating objectives, to analyze the positions of their trading partners and to form national consensus. The identification of negotiating objectives draws heavily on the experience of the private sector and is tailored to the needs of the industry. Questionnaires are sent to enterprises, trade associations and chambers of Commerce to obtain an initial inventory of problems they face in export markets. The responses are often followed up by trade officials abroad to confirm their existence and obtain more precise data, taking into account the consistency of such measures with the international obligations of the country concerned. Obviously, the information provided by TNCs with global operations is crucial in this respect. In some countries, information on barriers affecting their trade (and investment) is continually updated and published at regular intervals.

81. In addition, studies are undertaken by the Government, or subcontracted to academic or specialized research institutions, to examine the strategic aspects of new issues for negotiation or new approaches to negotiation. Furthermore, the Governments of developed countries usually possess a strong

"institutional memory" which they can draw upon in formulating positions, assessing options and analyzing the objectives of their trading partners. The results of these studies are often analyzed and debated in study groups at the national and international level to test ideas. The OECD has provided a forum for the refinement and coordination of developed country positions, supported by studies by the OECD secretariat.

82. Developing countries again find themselves at a considerable disadvantage. The capacity of the private sector to provide useful information is limited by the fact that national enterprises are not extensively involved in global operations, or if so, are subsidiaries of TNCs which maintain their research operations in the home countries and/or are not interested in serving export markets from the host country. These factors tend to introduce a bias toward protection-seeking in the information and ideas obtained from the private sector.

83. Over several decades, a very important source of training and the development of an institutional memory has been provided by the GATT/WTO technical cooperation and training courses (offered in the three official languages) which have the advantages of enabling future decision-makers to obtain an in-depth, first-hand experience with trade policy issues and establish a peer group network among developing country officials.

84. In the preparation of negotiating positions, developing countries have benefited from the general analysis of issues in UNCTAD, as well as the more focused technical assistance provided under the UNCTAD/UNDP programmes¹⁵ and by analytical mechanisms devised by UNCTAD and the World Bank. The coordination process among developing countries, which has been supported by these programmes as well as by regional (e.g. SELA) and subregional secretariats and UN regional commissions, has had the advantage of enabling countries with fewer resources to gain from the experience of those with more sophisticated institutional infrastructures in this area. However, resources for these activities are limited, and ways could be sought to strengthen them and extend their focus to preparing technical background studies and support debate with respect to issues for future negotiations.

(iv) Policy, regulatory, legal and institutional constraints

85. Developing countries, in parallel with the liberalization of their trade regimes, are faced with the difficult and challenging task of institutionalizing and upgrading their trade legislation with a view to implementing the WTO Agreements and developing a regulatory framework on an economy-wide basis. The latter aspect is also very important in increasing participation of developing countries in the multilateral trading system. In most developing countries, national laws and regulations may not yet exist in areas covered by multilateral trade obligations and, where they do exist, are usually less detailed than the multilateral agreements (whereas, on the contrary, the national laws and regulations of the major developed countries are usually more detailed than the multilateral agreements). Developing countries will need to modernize their national laws and regulations, as well as the techniques for, in particular, containing unfair import competition. In this regard, they need to bring them fully into line with the WTO Agreements and to integrate them with the rest of their legal system to ensure internal consistency, as well as to prevent their trade policies and practices from being too easily challenged by other WTO members.

86. A major conclusion is that if developing countries are to introduce effective trade legislation and procedures, as required by the WTO Agreements, and operate them effectively, they will require technical assistance in learning the skills and methodology to be followed. For many developing countries and countries in transition, this could not be achieved without support and assistance from the international community.

87. Apart from substantive obligations and rights, a large number of procedural requirements also face WTO members. Reference has already been made to the

notification requirements under the WTO Agreements. WTO members will continue to undergo periodic trade policy reviews which, while they represent a unique opportunity for the country concerned to gain an overall perspective of its trade regime and options for improving that regime, also represent an additional institutional burden, especially in the case of developing countries. Active participation in WTO activities will also require constant involvement in the work of WTO councils, committees and working parties, as well as in the ongoing negotiations on some specific issues (e.g. on services sectors). This, again will require from developing countries more resources, professional back-up and improved coordination between different governmental agencies and with their Geneva-based representatives.

Overcoming institutional constraints

88. Institutions directly responsible for implementing obligations under individual WTO Agreements would also have to be strengthened with the objective of ensuring effective compliance with obligations. For example, notifications would have to originate from the relevant department of the ministry responsible for the policy governed by the particular MTA, e.g. agricultural subsidies, investment measures, intellectual property rights. Some MTAs, such as the Agreement on Technical Barriers to Trade and GATS, would require contributions from a number of ministries, but these could be coordinated by the enquiry points which each WTO member is required to establish. In many cases compliance with obligations requires not only the adoption of legislation and regulations consistent with the MTAs, but also detailed administrative practices for the daily operation of the Agreements, such as in the case of the TRIPs and Customs Valuation Agreements, the allocation of agricultural tariff quotas, etc.. In addition, the Agreements on Agriculture, Textiles and Clothing, Safeguards, Anti-dumping and Subsidies and Countervailing Measures require the establishment of some "investigating authority" capable of determining the existence and extent of "dumping", subsidization, "material" or "serious injury", "serious damage" or trigger prices and trigger import volumes, on the basis of the criteria set out in the Agreements. The latter two Agreements, which deal with "unfair" practices, also provide for "judicial review" which requires the existence independent judicial, arbitral or administrative tribunals or procedures.

89. The institutions concerned would have to be made directly responsible for ensuring that the benefits and advantages offered take real effect. The task of monitoring trading partners' implementation of the WTO obligations would be carried out by the representation to the WTO and the trade sections of embassies abroad, in coordination with those specialized departments, mentioned above, which would possess the expertise to assess whether barriers had been imposed or trade rights infringed and provide the elements for a response.

90. The coordination function is crucial in this process, and the maintenance of effective bodies for this purpose would be a matter of priority. Where such coordination was carried out through ad hoc mechanisms during the Uruguay Round, Governments would be advised to consider the establishment of permanent mechanisms to prepare for future initiatives. The fact that some countries are conducting bilateral or regional negotiations in parallel with multilateral activities requires that the negotiators be guided by a common strategy, so that commitments made in one context do not prejudice negotiating objectives in others. It is also important that the expertise dealing with these issues be effectively mobilized, given that many of the issues being included in regional and bilateral agreements are likely to be brought up in the multilateral context. This coordination function could extend to liaison and public relations with the private sector and other interest groups so as to mobilize their support, establish national consensus, and obtain information as to the private sector's assessment of the implications of trade actions, as well as to promote a wider understanding of the system of trade rights and obligations with a view to facilitating their implementation. In addition, there would be a need to liaise effectively with the media to ensure that the Government's point of view on particular trade issues received

adequate national and international coverage. It would be necessary to establish closer relations with academia and research institutions to ensure that their research was timely and focused on the needs of negotiators.

91. The question would arise as to the choice of appropriate institutions for the analysis of trade data, political developments with a potential trade impact, preparation of technical argumentation in support of negotiating positions and trade disputes, identifying trade objectives and analyzing the implications of initiatives by trading partners. The formulation of trade objectives and preparations for future trade negotiations require the contribution of research institutions, which may be parallel governmental agencies (some developed countries maintain departments which concentrate on policy formulation and research), specialized academic institutions or both. In developing countries, the lack of research institutions capable of making a meaningful contribution to trade policy formulation and the assessment of negotiating options has been noted. The strengthening of such institutions in developing countries could serve not only to enhance research capacity, but also to provide an institutional memory, which may be difficult for government departments burdened with daily operations. Such institutions could be set up to service a particular region or subregion and thus compensate for the difficulties faced by the smaller and poorer members.

B. Agenda for human resources capacity-building

92. Strengthening the institutional infrastructure implies a need to identify the skills and resource required to make national trade policy institutions workable and effective. Intensified training programmes could incorporate international trade relations and trade policy issues into universities' basic curricula on law, economics, political science and international relations. Specialized post-graduate training facilities in the field of international commercial diplomacy and trade policy could be established at regional, subregional and interregional levels through networking.

93. An essential element of a strengthened institutional infrastructure is also an improved capacity to cope with increasing information and data and to structure it in a manner useful for Governments, research institutions and the private sector. Efforts should aim at increasing access to and use of information technology and designing effective, user-friendly trade data and information networks.

94. For example, regional and/or national centres for trade data for businessmen could be set up around the UNCTAD trade point programme. Research centres on trade issues to service government, business and academia could also be established. The research centres, which could be set up on a regional or subregional basis where this would be more practical, could not only constitute a repository of documentation, but also be available to conduct studies on request, to give specialized courses to various categories of students and trainees, and to organize seminars and courses as required by events. They could support the Government in trade negotiations, promote transparency, prepare information to help countries defend their interests in trade disputes, and undertake research on future negotiating issues. Such centres could benefit from the support of UNCTAD/UNDP and of specialized institutions in developed countries. Each developing country could adapt its national institutions to its own specific interests and priorities. In this context, the experience of establishing national trade policy institutions in several developed and developing countries would be very illustrative and helpful.

C. Multilateral technical assistance

95. The basic focus of international technical cooperation activities should be to assist developing countries to identify the main issues and policies concerning their integration into the international trading system in terms that would increase their economic benefits and equip them with better capacities to compete in international trade, while safeguarding their vital

domestic developmental priorities and concerns. To this end, technical cooperation should concentrate on institution-building. The specific objectives of such technical cooperation would be: (a) to strengthen developing countries' capacities to identify trade policy objectives and perform related functions; (b) to strengthen national trade policy administrations and other aspects of institution-building; (c) to improve developing countries' participation in international trade policy decision-making, in particular in the WTO system; (d) to increase their capacities to enforce their rights and implement their obligations under multilateral rules and disciplines; (e) to upgrade their capacities with regard to preparing for and participating in multilateral, regional and bilateral trade negotiations; and (f) to ensure greater access to trade information. These activities should be seen as an umbrella for national and international measures that would assist these countries to become full players and partners in the international trading system, while specific components would be tailored to the particular needs of individual countries, including those countries currently negotiating their accession to the WTO.

96.A variety of international organizations and Governments are presently assisting developing countries and countries in transition to participate more actively in the international trading system. These include: (a) the WTO through its training programmes in Geneva and technical assistance activities in Geneva and in the field; (b) UNCTAD's technical support for Governments and regions in their trade negotiations, "TRAINFORTRADE", and its trade point network; (c) ITC trade promotion facilities, (d) bilateral technical cooperation programmes of donor countries, etc.. However, such efforts are largely directed at the training of individuals, the preparation of studies and the interchange of ideas. More emphasis could be given to measures aimed at strengthening the structures of the institutions themselves.

97. There is a need for achieving complementarities and synergies not only between UNCTAD and WTO, but with other international, regional and subregional institutions, such as ITC, the World Bank, WIPO, SELA, the regional economic commissions, the regional development banks, and the regional and subregional integration mechanisms.

98. These technical cooperation activities could be supported by funding from UNDP, international financial institutions and bilateral donors on a priority basis, but also at other levels, including private foundations and private sector institutions. Cost-sharing of technical cooperation projects by beneficiary countries should also be pursued more actively.

99. All countries should examine their institutions in the light of these considerations to assess their adequacy to identify, in concrete terms, which institutions are missing or have become obsolete, which call for adaptation and a change of focus, where strengthening is required, and where international support could be sought.

100. In this context, it is vital to ensure that such support and assistance is readily available upon request from international organizations (UNCTAD, WTO, ITC, etc.) and bilateral sources for delivery both at the national level and at the inter-country level (for countries having similar interests and problems). Specific emphasis should be laid on the special situation of the least developed countries, which may require more intensive approaches to trade policy institution-building.¹⁶

101. UNCTAD, WTO and ITC are already working together in this endeavour on the basis of their individual competence, acquired expertise and complementarities. These efforts should be reinforced and expanded. Their combined efforts in developing and implementing agendas for strengthening institutions in developing countries with regard to their participation in the multilateral trading system can make a significant difference and also be more cost-effective than if pursued individually by each organization or through bilateral channels with developing countries' trading partners.

Notes

¹ See the joint paper prepared by the UNCTAD and WTO secretariats, with the assistance of the International Trade Centre UNCTAD/WTO, as a contribution to UNCTAD IX entitled "Strengthening the participation of developing countries in world trade and the multilateral trading system" (TD/375).

² Trade-weighted tariff averages can of course mask significant disparities in the changes in the treatment of products of current export interest to individual developing countries.

³ The indicator is the change in the *absolute* difference between the tariffs at the higher and lower stages of processing. See Annex II of GATT (1994) for a discussion why the change in the tariff wedge rather than the proportional reduction in the tariff generally is the appropriate indicator of the direction of change in tariff escalation.

⁴ For further details on changes in tariff escalation on products imported by the developed countries mentioned above from developing economies, see "Strengthening the participation of developing countries in world trade and the multilateral trading system" (TD/INF.33), appendix table 3.

Renewal retroactively to 31 July 1995 and until 31 May 1997.

⁵ Sanitary and phytosanitary measures are regulated in the separate Agreement on Sanitary and Phytosanitary Measures.

The principal cause of the difference between the 35 per cent and 46 per cent figures, respectively for "coffee, tea, cocoa, maté" in the first group of products and "tropical beverages" in the second group, is the inclusion in the former of chocolate and other food preparations containing cocoa, for which offers have been much lower than for other products in those product categories.

⁶ So-called "green box" policies are excluded from the reduction commitments. These include general government services (such as research, disease control, infrastructure and food security stockholding), certain forms of "decoupled" (from production) income support, structural adjustment assistance, and direct payments under environmental programmes and under regional assistance programmes. In addition to the green box policies, other policies that need not be included in the total AMS reduction commitments include direct payments under production-limiting programmes, certain government assistance measures to encourage agricultural and rural development in developing countries and other support which makes up only a low proportion (5 per cent in the case of developed countries and 10 per cent in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production.

⁷ See, for example, FAO, Impact of the Uruguay Round on Agriculture, Rome, 1995.

⁸ See Paulo Barthel Rosa, "El Nuevo Sistema Multilateral de Comercio, consecuencias y desarrollo para America Latina" in La Ronda Uruguay y el Desarrollo de America Latina, Alfabet Impresores, Santiago, 1994.

¹¹ This policy mix generally involved: (a) flexible protection for infant industry development; (b) the channelling of investment into sectors and activities deemed to be of development priority; (c) aggressive export promotion through various types of subsidies; (d) encouragement of the transfer of technology through incentives linked to trade. See UNCTAD/TDR/14, pp. 49-76.

¹² See Thierry Buchs, "Selected WTO Rules and some implications for Fund policy Advice", IMF mimeo, Geneva, 1995.

¹³ As in the case of the Agreements being negotiated between the European Union and Mediterranean countries.

¹⁴ For example, the Free Trade Agreement of the Americas (FTAA), APEC.

¹⁵ See the "Anstee report" to the Trade and Development Board (TD/B/40(2)/14), and documents UNCTAD/PSM/TCP/1 (August 1995), TD/B/WP/92 (October 1995) and TD/B/WG.8/7 (November 1995).

¹⁶ See Government of Swiss Confederation, Delegate for Trade Agreements, "Reports and Proposals for a Follow-up on the Ascona Seminar on Technical Cooperation for Trade and Development in the Face of Globalization", Berne, 27 February 1996.